

Vestcor Inc.

Terms of Reference – Board of Directors

1. Introduction and Purpose

Part 3 of the *Vestcor Act* (the “Act”) established Vestcor Pension Services Corporation (“Vestcor Services”) with the objects, pursuant to Section 39 of the Act to:

- provide pension and benefits administration and related services to the Members and to any other person or pension fund or similar fund; and
- carry out such other activities or duties as may be authorized or required by the Board of Vestcor Services.

Part 4 of the *Vestcor Act* (the “Act”) continues the New Brunswick Investment Management Corporation under the name Vestcor Investment Management Corporation (“Vestcor Investments”) with the objects, pursuant to Section 70 of the Act to:

- provide investment management and advisory services and other services in respect of the management and administration of investments to the Members and to any other person, pension, trust, endowment or similar fund; and
- carry out such other activities or duties as may be authorized or required by the Board of Vestcor Investments.

The Act also establishes a Board of Directors as follows:

- The management and control of Vestcor Services and Vestcor Investments is vested in the Board of Directors and the Board of Directors may, subject to this Act, the by-laws and any Members Agreement, exercise all of the powers of Vestcor Services and Vestcor Investments (s. 41 & 73).
- A person who is a director of Vestcor Corp. is not eligible to hold office as a director of Vestcor Services and Vestcor Investments (s. 42 & 74).
- The Board of Directors shall administer the affairs of Vestcor Services and Vestcor Investments on a commercial basis and all decisions and actions of the Board are to be based on sound business practice (s. 43 & 75).

Vestcor Services and Vestcor Investments amalgamated pursuant to Section 104 of the Act and continue as Vestcor Inc. (Vestcor) effective as of January 1, 2018.

These terms of reference are designed to clarify the Vestcor Board of Directors’ responsibilities.

2. Board Responsibilities

In addition to meeting the requirements established by the Act, the Members’ Agreement and corporate By-laws, the Board of Directors of Vestcor will provide effective stewardship and strategic leadership for the organization by fulfilling the following key governance responsibilities:

2.1 Mission, Vision and Values

- Biennially review and continually support the Mission, Vision and Values of Vestcor
- Biennially review and continually support the Corporate Purpose
- Ensure Vestcor acts in a socially responsible manner, its values are clearly stated, widely shared and provide a framework for decision-making throughout the organization, e.g., code of conduct and conflict of interest policies in place to support values

2.2 Relationship with the President and Chief Executive Officer (“CEO”)

- Prior to the appointment of a CEO, review the CEO’s Position Description, Core Accountabilities and Competencies
- Select and recommend the appointment of the CEO
- Annually, review and approve the CEO’s strategic priorities, goals and objectives
- Regularly monitor and annually evaluate the CEO’s performance
- Annually, approve the CEO’s compensation (including salary adjustments and Incentive Compensation Awards)
- Quarterly, to the extent feasible, ensure itself as to the integrity of the CEO and that the CEO and senior management are fostering a culture of integrity throughout the organization
- Biennially, ensure that the work environment and leadership survey is administered
- Provide advice and counsel to the CEO in the execution of the CEO’s duties
- Review and approve any significant outside board appointments as required under the Code of Ethics and Business Conduct that the CEO is considering

2.3 Corporate Plans and Performance

- Provide strategic direction in the development, and final approval, of the strategic plan for Vestcor
- Biennially, approve the process for the development and approval of strategic and annual business plans
- Approve the process for the development of significant Corporate policies
- Review and approve any new or changes to significant Corporate policies
- Ensure alignment between Vestcor Strategic Plan and the Annual Business Plan through the approval of each Annual Business Plan (including allocation of resources in the budget) and the approval of expected outcomes and Key Performance Indicators (KPIs) for measuring purposes
- Monitor the performance of Vestcor against its Plan(s) and KPIs
- Review results of external and internal reviews of operations and monitor appropriate follow-up plans
- Monitor compliance of the organization with legal requirements

2.4 Investments

- Approve the creation and related investment policies of the Vestcor Investment Entities
- Annually, review and approve changes to Vestcor’s Responsible Investing Guidelines and monitor compliance with Guidelines

- Approve delegation of investment authorities to Management, and
- Approve transactions exceeding delegated investment authorities, as required under the By-laws - Section 16 and transactions that are outside of generally delegated constraints or limits as set out in the Vestcor Investment Entities Profiles from time to time

2.5 Financial Oversight

- Quarterly, monitor and review financial results
- Quarterly, monitor compliance under securities and tax regulation
- Approve (i) the annual financial statements for Vestcor and the Vestcor Investment Entities and (ii) the annual investment performance Total Fund Reports
- Review reports from the Audit Committee of the results of the external audit and other annual assurance activities and the ongoing relationship with the external auditor
- Review and approve the annual budget for the operating and capital expenditures and fee recovery structure of Vestcor and recommend its approval to the Vestcor Corp. Board of Directors
- Approve delegation of execution of contracts to Management, and approve transactions exceeding those delegated authorities, as required under the By-laws – Section 15
- Approve delegation of banking authorities to Management, and approve transactions exceeding those delegated authorities, as required under the By-laws – Section 17
- Ensure the financial performance of Vestcor is adequately and promptly reported and the financial results are reported fairly and in accordance with generally accepted accounting principles
- Recommend the appointment or replacement of the external auditor to the Vestcor Corp. Board of Directors

2.6 Risk Management

The Board’s role is to understand Vestcor’s principal business risks and the systems that have been put into place by Management to protect the organization against damage or loss due to risks. The Board will:

- (a) annually review and approve the enterprise-wide risk management framework, principles and policies recommended by Management
- (b) annually review and approve Vestcor’s Fraud Risk Management Policy and Management’s annual fraud risk assessment
- (c) annually review and approve Vestcor’s Responsible Investment Report
- (d) obtain reasonable assurance by discussions with and comprehensive reports from Management, the Director Risk Management, the Manager, Internal Audit and external advisors as appropriate, that:
 - (i) Vestcor has adequate and reliable systems and procedures for the identification, evaluation, management and monitoring of risks facing Vestcor, and that
 - (ii) the risk management systems and procedures are properly designed and effectively implemented.

- (e) annually review and recommend to the Vestcor Corp. Board of Directors for approval insurance coverage of significant business risks and uncertainties

The Board as a whole provides overall risk oversight. In addition, the various Board Committees provide oversight with respect to categories in Vestcor’s Risk Management Framework that fall within their mandates.

The Board, as a whole, retains risk management oversight in the following areas:

- ▶ Mission and Vision
- ▶ Strategy, Corporate Plans and Performance
- ▶ Investments
- ▶ Quality
- ▶ Accountability

It is supported in its risk management oversight in the following areas by the following board committees:

<i>Stewardship Responsibility</i>	<i>Board Committee</i>
Relationship with the CEO	Human Resources and Compensation Committee
Financial Oversight	Audit Committee
Internal Controls and Information Systems	Audit Committee
Risk Management	Audit Committee
Human Resources Oversight	Human Resources and Compensation Committee
Communications and Stakeholder Relations	Governance Committee
Board Effectiveness and Efficiency	Governance Committee

2.7 Internal Controls and Management Information Systems

- Ensure, through the CEO, that effective management information systems, processes and internal controls are in place at all levels of the organization
- Approve the Service Organization Controls (SOC) Planning and Audit Report, as recommended by the Audit Committee

2.8 Human Resources Oversight

- Approve any changes to the compensation philosophy and framework, as recommended by the Human Resources and Compensation Committee, including the compensation ranges for all positions and the incentive compensation plan, for Vestcor’s Management and employees

- Biennially, review employee benefits and approve material changes¹ when warranted
- Conduct an Independent Compensation Review processes on an as needed basis or at least every four (4) years.
- Annually, approve any changes to the Required Investment Performance Targets in the Vestcor Incentive Plan, where applicable
- Approve, as required, any severance arrangements for Officers or members of Management reporting directly to the CEO
- Annually, review and approve any changes to salary ranges for all positions and review and approve the CEO's proposed material salary adjustments (outside of previously approved ranges) for and aggregate Incentive Compensation Awards (where applicable) to all employees within the organization
- Review and approve the directors and executive compensation disclosure in the Annual Report
- Approve major changes to organizational structure of Management
- Approve material changes to Human Resources Policies
- Review and approve (a) position descriptions for Senior Management and Officers and (b) the appointment of Officers
- Ensure, through the CEO, that Vestcor develops and maintains a long-term, comprehensive, human resource plan and approve Vestcor's annual Human Resources Strategic plan
- Ensure that policies and systems are in place to foster a work environment that attracts and retains talented people
- Ensure that a succession plan is in place for the CEO's position and that the CEO, in turn, has a succession plan in place for senior leadership and other key positions within the organization

2.9 Communications, Stakeholder Relations and Accountability

- Ensure that Vestcor has policies and systems in place to:
 - protect and continuously enhance Vestcor's brand and reputation
 - maintain strong and effective relations with all clients and stakeholders, including the provincial government and fund sponsor organizations
 - monitor the effectiveness of Vestcor stakeholder relations and communications policies and systems
- Approve the Annual Report and the Press Release which contains the information required by the Act and regulations
- Annually review and approval Vestcor Inc.'s Communications Strategy / policy
- Receive and review potential new mandates

2.10 Board Effectiveness and Efficiency

- Contribute to the nomination of high quality, diverse, independent and competent leadership for the Board, through a rigorous nominations process, supported by an annual skills gap assessment
- Ensure that directors have a thorough initial orientation followed by ongoing opportunities to increase their capabilities as directors of Vestcor

¹ Material for these purposes means any change that produces a change in the relevant costs that exceeds the lower of 10% of current costs and \$200,000, as well as any change of strategic importance to the organization.

- Ensure the completion of a post-orientation survey and sharing of results with the Board Chair and the Governance Committee Chair to get feedback on the effectiveness of the orientation process
- Biennially, evaluate the performance of the Board, its Chair and its Committees
- Biennially, through the Board Evaluation, establish goals for the work of the Board and organize / adapt the Board committees and meeting agendas to accomplish these goals
- Foster an effective relationship with the CEO and recognize the distinct roles
- Triennially, review By Laws, Governance Policies (i.e., Director Independence Policy, etc.) and Board practices in the context of evolving standards of governance
- Annually, review Terms of reference for the Board and Board Committees, Director Orientation and Education Policy, Nomination Guidelines and Code of Ethics and Business Conduct
- Annually, receive annual consolidation of board decisions and major agenda items over the past year, cross-referenced to the Terms of Reference for the Board.
- Biennially review and recommend to the Vestcor Corp. Board for approval any changes to the Directors Compensation Policy
- Biennially review and approve changes, as required to the Directors’ Travel and Expense Policy

2.11 Crisis Management

The Board delegates the responsibility to manage immediate crises affecting the leadership and reputation of the organization to an ad hoc committee comprised of the Board Chair and each of the Committee Chairs. It is understood that the entire Board will be advised of the situation as soon as reasonably practicable and that every effort will be made to respect the collective decision-making authority of the full Board.

2.12 Board Objectives

Annually in November, formulate and regularly monitor progress with respect to annual objectives for the Board, through the Board reporting calendar independent of the biennial Board and Director self assessment.

3. Delegation

3.1 Delegation to Management

The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself.

3.2 Delegation to Board Committees

Subject to the By-laws and the Act, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to Board Committees.

The Board may not delegate to Board Committees the power to:

- (a) Adopt, amend or repeal by-laws
- (b) Establish related Investment Policies
- (c) Fill a vacancy in a Board Committee of Vestcor
- (d) Appoint officers and/or fix their remuneration pay ranges
- (e) Approve Vestcor's annual audited financial statements and any other financial statements issued by the organization

3.3 Risk Management

Management is responsible for ensuring that there is a robust and reliable framework and system in place to identify, evaluate, manage, monitor and report risks facing Vestcor.